

City Investment Watch

At the end of Q1, UK and US purchasers are level at the top of the turnover table

April 2015

Market comment and notable deals

■ March turnover was £1,047m across 16 deals, resulting in the year-to-date turnover reaching £2,281m, which is 34% up on this point last year (Graph 1).

■ As you can see from Graph 2, there have been more deals and higher turnover in the first quarter of this year than the previous two.

■ The largest transaction of the month was the £268.4m purchase of Times Square, Queen Victoria Street EC4 by Blackstone. The 378,289 sq ft building was sold by Land Securities for a yield of 4.8%.

■ Another notable transaction was the purchase of the site of The Pinnacle EC2 for a reported price of £220m by a consortium including British Columbia Investment Management Corporation, PSP, Temasek and a pair of Axa Real Estate funds. They will now jointly fund a new 1m sq ft skyscraper. The original site was purchased by Arab Investments in 2007 for a similar price, however a number of issues prevented the development from being built.

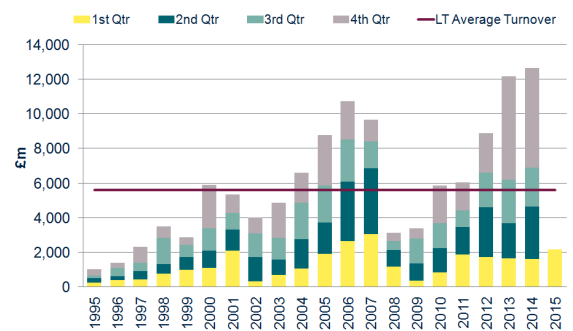
■ At the end of Q1, the majority of purchases have come from either the UK or the US, who combined have accounted for 28% of turnover. European purchasers are next, accounting for 23%, with Asian purchasers only accounting for 14% so far. It is likely we will see increased activity from Asian purchasers, especially due to the proposed £580m purchase of The Walbrook Building by Cathay Life.

■ Investment stock seriously remains limited with the largest openly marketed opportunity being Riverside Development in the Docklands. The guiding price is upwards of £350m for a 5 acre site with planning permission for a Richard Rogers designed scheme of 3.5m sq ft of office and retail space.

■ There is also a further 10 properties currently under-offer including The Stage in Shoreditch, which has planning permission for a 550,000 sq ft mixed use development under offer to a Cain Hoy lead consortium alongside Galliard for circa £170 m.

■ Savills prime yield is still 4.25% for the fourth month, which is down 25bps on this point last year but further downward pressure is being expected by sustained investor appetite.

GRAPH 1
City turnover annually



Graph source: Savills

GRAPH 2
City turnover by month

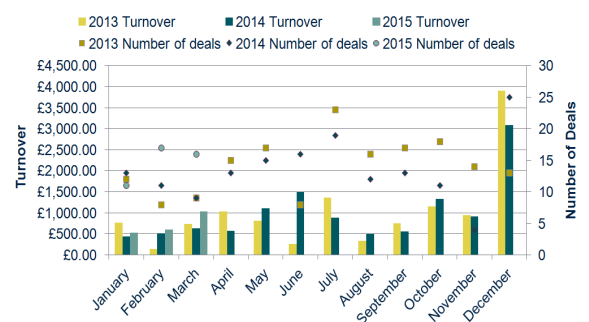


Chart source: Savills

TABLE 1
Key deals in March 2015

Address	Postcode	Sector	Area (sq ft)	Tenure	Price	Yield	Vendor	Purchaser
Times Square, 160-162 Queen Victoria Street	EC4	Office	378,289	FH (95%)	£268.4 M	4.8%	Land Securities	Blackstone
The Pinnacle, 22 Bishopsgate	EC2	Office/Retail	1m	FH	£220 M	N/A	Arab Investments	British Columbia Investment Management Corporation, PSP, Temasek, and a pair of Axa Real Estate funds
Cannon Bridge House, 25 Dowgate Hill	EC4	Office	285,580	LLH	£166 M	6.66%	Westbrook	Blackstone
Assam Place, Commercial Road	E1	Development	159,490	FH	£100 M	5.40%	Mace	Ping An
75 King William Street	EC4	Office/Retail	128,132	FH	£95.85 M	5.42%	Aberdeen Asset Management	Alpha

Table source: Savills

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